

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FPC-01 H-02
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-15 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-10
PA-02 PRS-01 /120 W
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P 130114Z MAY 77
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 3455
INFO ALL AMCONSULS IN CANADA

UNCLAS SECTION 01 OF 02 OTTAWA 03841

E.O. 116522 N/A
TAGS: ENRG, CA
SUBJECT: ENERGY: AMBASSADOR'S REMARKS ON GAS PIPELINE
BEFORE OTTAWA PRESS CLUB

AMBASSADOR GAVE INFORMAL TALK AT OTTAWA PRESS CLUB EVENING
MAY 11. FOLLOWING FYI ARE EXCERPTS FROM HIS REMARKS AND
ANSWERS TO QUESTIONS FROM THE FLOOR THAT CONCERN THE
NORTHERN GAS PIPELINE DECISION:

QUOTE--NOW THERE IS A FINAL QUESTION THAT I'D LIKE TO
MENTION AS ALSO BEING ON THE BILATERAL AGENDA THIS YEAR,
THAT'S THE QUESTION OF GAS TRANSPORT. AS YOU KNOW CANADA
AND THE UNITED STATES HAVE BEEN AT SOME PAINS TO TRY AND
KEEP THEIR DECISION-MAKING PROCESSES SYNCHRONIZED TO THE
DEGREE THAT THEY CAN. I THINK THE U.S. INTEREST IN THIS
IS CLEAR: THAT ONLY BY DOING THAT COULD WE KNOW WHETHER
OR NOT AN OVERLAND ROUTE WOULD REALLY BE AVAILABLE IN
CANADA AND THUS WHETHER WE WERE DEALING WITH ONE OPTION,
AN ALL U.S. OPTION, OR TWO, BECAUSE IT'S PRETTY CLEAR THAT
ONLY CANADA--CERTAINLY NOT THE UNITED STATES--COULD PRO-
POSE A CROSS-CANADA LINE. MR. TRUDEAU SAID TODAY AS HE'S
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SAID IN WASHINGTON A NUMBER OF TIMES THAT CANADA'S IN-
TEREST IN KEEPING THE PROCESS IN SYNCH IS THAT EVEN A U.S.
DECISION TO GO FOR AN ALL U.S. ROUTE COULD AFFECT THE
CANADIAN INTEREST EITHER IN THE ENVIRONMENTAL OR ECONOMIC
FIELD.

---NOW BECAUSE OF THE URGENCY THAT WE HAVE IN THE STATES,

WE'VE GOT A BAD GAS ECONOMY, BECAUSE OF OUR URGENCY IN MAKING A DECISION ON HOW TO MOVE NORTH SLOPE GAS DOWN TO THE LOWER 48 AND BECAUSE OF THE DECENTRALIZED NATURE OF OUR DECISION-MAKING PROCESS WHICH YOU'RE FAMILIAR WITH, OUR SCHEDULE HAS BEEN EMBODIED IN THE LAW WITH ALL THE MAJOR PARTIES AND INTERESTS SUPPORTING IT; AND UNDER THIS LAW, THE PRESIDENT IS REQUIRED TO MAKE A DECISION BY SEPTEMBER 1 ON THE MODE OF TRANSPORT THAT HE FAVORS; AND CONGRESS HAS 60 DAYS TO ACT ON IT.

---NOW THIS SCHEDULE WAS DESIGNED TO BE AS RESPONSIVE AS POSSIBLE TO OUR JOINT NEEDS WHEN IT WAS DEBATED LAST SUMMER. THERE WAS A GREAT DEAL OF EFFORT ON THE PART OF THE CONGRESS TO TAKE INTO ACCOUNT BOTH OURS AND CANADIAN NEEDS IN TERMS OF TIMING AS THEY WERE THEN KNOWN, AND INDEED THERE WAS AN ADJUSTMENT, A SUBSTANTIAL DELAY, THAT WAS PROPOSED AND BUILT INTO OUR SCHEDULE AT THAT TIME IN ORDER TO MAKE SURE THAT INTERESTS ON BOTH SIDES OF THE BORDER WOULD BE ACCOMMODATED.

--NOW YOU IN CANADA HAVE ALREADY RECEIVED ONE OF THE MOST IMPORTANT INPUTS TO YOUR DECISION-MAKING THIS WEEK OF COURSE, THAT IS THE BERGER REPORT. I UNDERSTAND THAT YOU EXPECT THE REGULATORY BODY TO MAKE ITS RECOMMENDATION EARLY JULY AND THEN THERE'S THE LYSYK REPORT ON THE ASPECTS OF THE ALCAN LINE BOTH ENVIRONMENTAL AND SOCIAL, I UNDERSTAND, WHICH IS DUE BY AUGUST 1.

--NOW ON OUR SIDE ONE OF THE MAJOR INPUTS IS THE FEDERAL UNCLASSIFIED

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POWER COMMISSION'S REPORT WHICH IS ALREADY AVAILABLE AND WAS ON MAY 1. THAT HAS THREE IMPORTANT RESULTS. FIRST IT RECOMMENDED THAT AN OVERLAND ROUTE SHOULD BE PREFERRED BY THE UNITED STATES, IF CANADA CHOOSES TO MAKE IT AVAILABLE, AND IF CANADA DOES ON WHAT THEY TERM REASONABLE TERMS AND CONDITIONS. THE SECOND CONCLUSION FROM THIS REPORT WAS THAT NO U.S. PREFERENCE BETWEEN ALTERNATIVE OVERLAND ROUTES COULD BE EXPRESSED UNTIL CANADIANS DECIDE WHETHER AN OVERLAND ROUTE IS GOING TO BE AVAILABLE AND IF SO WHICH ONE. AND THIRDLY, AND THIS IS VERY IMPORTANT I THINK, THE FEDERAL POWER COMMISSION COMES TO THE CONCLUSION THAT ALL OF THE THREE LINES PROPOSED WOULD BE IN THE U.S. NATIONAL INTEREST AND THAT MEANS THAT THE UNITED STATES ALWAYS HAS A GOOD ALTERNATIVE, IF FOR ANY REASON YOU SHOULD CHOOSE NOT TO PROPOSE AN OVERLAND ROUTE AT THIS TIME. IN OTHER WORDS, NEITHER YOU NOR WE IN THIS VIEW ARE UNDER UNDUE PRESSURE IN MAKING THIS DECISION.

--WHAT NEXT IN THE UNITED STATES; WELL UNDER THE LAW THE

VARIOUS U.S. DEPARTMENTS HAVE TO REPORT TO THE PRESIDENT BY JULY 1 WHAT THEIR RECOMMENDATIONS ARE ON THE ECONOMICS OF THE THING AND THE SECURITY CONSIDERATIONS, THE IMPLICATIONS OF OUR RELATIONS WITH CANADA AND WHAT IT MEANS TO CONSUMERS AND SO FORTH. AND THEN THE ADMINISTRATION IS GOING TO EXAMINE EACH OF THESE OPTIONS, REALLY FROM THE GROUND UP. THE PRESIDENT'S GOT A SET OF RECOMMENDATIONS FROM THE FPC BUT IS GOING TO START FROM THE VERY BEGINNING AND SEE WHETHER HE CAN WORK THROUGH THE REASONING IN ORDER TO BE READY IN AUGUST SO THAT IF THERE IS A JOINT OPTION WHICH CANADA WISHES TO PROPOSE, WE'LL BE READY TO SEE WHETHER WE CAN NEGOTIATE, OR ALTERNATIVELY, IF THAT IS NOT

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AVAILABLE, TO MAKE A DECISION ON AN ALL U.S. ROUTE.

(FOLLOWING ARE ANSWERS TO QUESTIONS FROM THE FLOOR;
QUESTIONS ARE OMITTED)

--I HAVE NO REACTION TO THAT (QUESTION ABOUT INTERRUPTIONS OF FLOW). I THINK THAT'S AN ISSUE FOR CANADIANS TO WEIGH AND DISCUSS AS THEY GO DOWN ON THIS PROCESS. THAT'S NOT AN ISSUE FOR THE UNITED STATES TO WEIGH AND DISCUSS AT THIS POINT. AS A GOVERNMENT, WE HAVE BEEN ENGAGED OVER THE PAST TWO YEARS IN NEGOTIATING A PIPELINE TREATY WHICH IN EFFECT ASSURED BOTH COUNTRIES AGAINST INTERRUPTIONS IN PIPELINE THROUGHPUT OR AGAINST ARBITRARY CHARGES IN IT. THAT TREATY IS NOW BEFORE THE U.S. SENATE. I EXPECT IT WILL BE SOME TIME THIS YEAR. THE TREATY ITSELF IS DE-

SIGNED NOT FOR ANY GIVEN PIPELINE BUT FOR ALL OF THEM;
BUT CLEARLY NEITHER COUNTRY IS GOING TO BE ABLE TO ENTER
INTO THAT TREATY IN GOOD FAITH UNLESS IT EXPECTS TO BE
ABLE TO KEEP ITS PROVISIONS. AND AS I SAY THAT'S A JUDGE-
MENT FOR CANADA TO MAKE NOT FOR THE UNITED STATES.

--AS I SAY I DON'T WANT TO COMMENT ON MR. BERGER'S RECOM-
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MENDATIONS TO HIS GOVERNMENT. I THINK ITS A QUESTION OF
WHAT HIS GOVERNMENT TELLS THE UNITED STATES ON THIS ISSUE.

--THE PRESIDENT HAS AN OPTION UNDER LAW TO DELAY HIS DE-
CISION FOR 90 DAYS IF HE DEEMS IT NECESSARY. THE PRESI-
DENT HAS NOT INDICATED THAT HE INTENDS TO EXERCISE THAT
OPTION AND HE REGARDS HIMSELF AT THIS POINT BOUND TO THE
DEADLINE SET IN THE LEGISLATION. THERE IS THAT OPTION
WHICH HE CAN EXERCISE. I'M CERTAINLY MAKING NO PREDICTION
AND JIM SCHLESINGER IS NOT MAKING A PREDICTION THAT HE
WOULD EXERCISE IT.

--THAT'S AN ANSWER THAT AT THIS POINT IT SEEMS TO ME ONLY
THE CANADIAN GOVERNMENT CAN GIVE BECAUSE ONLY THE CANADIAN
GOVERNMENT CAN INDICATE TO US WHETHER OR NOT A LAND ROUTE
IS AVAILABLE, AND IF SO, WHICH ONE. ITS NOT SOMETHING WE
CAN FORMULATE AN INDEPENDENT JUDGMENT ON. YOU HAVE THIS
VERY COMPLEX PROCEDURE FOR ARRIVING AT THAT VIEW AND THAT
DECISION, JUST AS WE HAVE A VERY COMPLEX ONE FOR ASSESSING
IT ONCE WE'RE TOLD WHETHER OR NOT WE'VE GOT OPTIONS. SO
ITS NOT UP TO US AT THIS POINT TO TRY TO FIGURE OUT WHAT
ARE THE RELATIVE CHANCES. WE'VE TRIED TO FIGURE OUT THE
RELATIVE MERITS, WHAT THE CHANCES ARE OF THE ROUTES AVAIL-
ABLE OR VARIANTS ON THEM--THAT'S SOMETHING YOU'VE GOT TO
TELL US AND SO WE'RE LOOKING TO YOU.

--I SHOULDN'T GIVE THE IMPRESSION THAT THE ALCAN ROUTE IN
ALASKA OR THE EL PASO ROUTE IN ALASKA DON'T HAVE ENVIRON-
MENTAL AND ECONOMIC PROBLEMS, TOO. OBVIOUSLY ALL OF THEM
DO AND I THINK YOU'VE SEEN THESE ANALYZED PRETTY WELL
ALREADY IN SOME OF THE DOCUMENTS THAT HAVE BEEN MADE AVAIL-
ABLE, FOR EXAMPLE THE EL PASO ROUTE GOES THROUGH ONE OF
THE GREAT NATIONAL FORESTS OF THE UNITED STATES, THE
CHUGACH NATIONAL FOREST IN SOUTHERN ALASKA; AND YOU'D
BUILD A LIQUIFIED NATURAL GAS PLANT. WELL SOME PEOPLE
THINK THAT'S A BIG VIOLATION OF THE ENVIRONMENT. BUT THEN
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YOU HAVE TO COMPARE THAT WITH WHAT HAPPENS TO THE ALASKAN
WILDLIFE RANGE, THE NORTHERN YUKON AND ALL THE COMPARISONS
THAT YOU'RE WELL AWARE OF. NO, I'M JUST SAYING THAT THE
WAY THIS THING HAS BEEN SET UP, I THINK PROPERLY SET UP,
IT MEANS YOU HAVE TO DECIDE FIRST WHETHER THERE IS AN
OPTION OF AN OVERLAND ROUTE. ONCE YOU'VE DONE THAT, THEN
WE'VE GOT A DISCUSSION WE CAN HAVE BETWEEN US; MEANWHILE
WE REALLY DON'T HAVE A DISCUSSION.

--ITS NOT UP TO US TO TRY TO FIGURE OUT WHAT CANADIAN
INTERESTS ARE; OBVIOUSLY CANADIANS ARE MUCH BETTER AT THAT
THEN WE ARE. UNQUOTE. ENDERS

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